

Message Text

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ACTION NODS-00

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2689

C O N F I D E N T I A L ALGIERS 1535

NODIS

E.O. 11652: GDS

TAGS: ENRG, AG, OPEC

SUBJECT: ALGERIAN POSITION ON RESUMPTION ENERGY DIALOGUE

REF: SECTO 2020; ALGIERS 1476

1. SAW MINISTER OF INDUSTRY AND ENERGY ABDESSELAM AT VENEZUELAN RECEPTION LAST NIGHT. HE APPARENTLY WANTED EXCHANGE MORE THAN USUAL COURTESIES AND SAID SOMETHING VAGUE ABOUT DIALOGUE. I IMMEDIATELY ASKED HIM WHETHER WE WERE GOING TO GET RESPONSE TO SECRETARY'S MAY 28 MESSAGE TO BOUMEDIENE ON THIS ISSUE. ABDESSELAM ASKED IF OUR POLICY HAD CHANGED SINCE LETTER. I SAID DID NOT BELIEVE IT HAD.

2. ABDESSELAM THEN ASKED IF WE WERE READY TO DISCUSS INDEXATION. I SAID WE THOUGHT WORLD ECONOMIC PROBLEMS COULD BEST BE DEALT WITH WITHOUT IT. HE SAID THAT AS FAR AS OPEC COUNTRIES WERE CONCERNED, INDEXATION AND MONETARY REFORM WERE SINE QUA NON FOR MEANINGFUL DIALOGUE. HE GATHERED THAT WE AND GERMANS UNALTERABLY OPPOSED TO INDEXATION. THIS DID NOT AUGUR WELL FOR DIALOGUE.

3. I ASKED EXACTLY WHAT ALGERIANS MEANT WHEN THEY SPOKE OF INDEXATION. HE SAID PRICE OF ALL OPEC OIL WOULD BE TIED TO PRICES ALL OPEC MEMBERS HAD TO PAY FOR COMMODITIES FROM INDUSTRIALIZED WORLD. IF THERE WERE NO INFLATION, PRICE WOULD REMAIN CONSTANT. HE SEEMED TO THINK IT VERY

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SIMPLE.

4. ON FINANCIAL REFORM, I ASKED ABOUT LIBREVILLE DECISION TO SWITCH FROM DOLLARS TO SDR'S. HE INDICATED THIS IN ABEYANCE TEMPORARILY BECAUSE DOLLAR SHOWING SIGNS OF STRENGTH IN EUROPEAN MARKETS.

5. ACTION REQUESTED: BELIEVE ABOVE CONSTITUTES ALL WE ARE GOING TO GET IN RESPONSE TO SECRETARY'S MESSAGE AT THIS TIME. UNLESS INSTRUCTED OTHERWISE WILL NOT PURSUE IT FURTHER. IF WE DO WITH FOLLOW-UP, MIGHT BE BEST TO DO SO WITH A VISIT HERE BY UNDERSECRETARY ROBINSON. WE SHOULD HAVE NO ILLUSIONS ABOUT CHANGING ALGERIAN POSITION, HOWEVER. THEY HAVE BIT IN TEETH, ARE CONVINCED OF LOGIC THEIR STAND AND ARE STRENGTHENED BY RECENT PROMISES OF LOANS FROM GULF STATES. FURTHERMORE, THEY WOULD PROBABLY PREFER NOT TO HAVE ANY SERIOUS DISCUSSION OF PRICES BEFORE SEPTEMBER OPEC MEETING, WHERE THEY HOPE TO RAISE THEM. PARKER

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